



City of
HUNTINGTON PARK california
COMMUNITY DEVELOPMENT DEPARTMENT
6550 MILES AVENUE
HUNTINGTON PARK, CA 90255

**OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COMMUNITY
DEVELOPMENT COMMISSION OF THE CITY OF HUNTINGTON PARK**

DATE: October 24, 2012

TO: Honorable Chair and Board Members of the Oversight Board

FROM: Rene Bobadilla, Executive Director to the Successor Agency *RB*

BY: Fernanda Palacios, Project Manager

RE: **Status Report Regarding Due Diligence Review Pursuant to AB
1484**

BACKGROUND

Pursuant to AB 1484, the Successor Agency of the Community Development Commission of the City of Huntington Park (Successor Agency) must contract with a certified public accountant, approved by the County Auditor-Controller to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities. The due diligence review must include the following:

1. A valuation of all cash assets transferred from the former redevelopment agency to the Successor Agency on February 1, 2012;
2. The value of all cash assets transferred from the redevelopment agency or Successor Agency to the City between January 1, 2011 and June 30, 2012; and
3. Dollar value of any cash transferred from the redevelopment agency or Successor Agency to any other public agency or private party between January 1, 2011 and June 30, 2012.

ANALYSIS

There are two categories of due diligence reviews: due diligence review of the amount available for distribution in the Successor Agency's Low and Moderate Income Housing Fund (Housing Fund) and the due diligence review for all other funds (Non-Housing Funds). The Successor Agency's request to contract with

Vasquez & Company, LLP was approved by the Auditor-Controller on September 25, 2012.

Housing Fund Due Diligence Review

The due diligence review for the Housing Fund is to be received by the Oversight Board, Auditor-Controller, State Controller and the Department of Finance (DOF) no later than October 1st. DOF will have until November 9, 2012 to review the Housing Fund due diligence review and provide its determination to the Successor Agency.

On July 16, 2012, the City adopted Resolution No. 2012-36 electing not become a housing successor of its former Community Development Commission, therefore, the housing functions and responsibilities were transferred to the Los Angeles County Housing Authority ("Housing Authority"). There was confusion as to which entity (Successor or Housing Successor) was responsible for completing the Housing due diligence review. Staff contacted the Housing Authority of Los Angeles and they indicated that they were not assuming responsibility of the housing successor and therefore not conducting the audit of its Housing Fund. Special counsel has advised staff that the legislation does not provide the County Housing Authority an alternative, but nonetheless recommends that the Successor Agency move forward with performing the audit as AB 1484 does not specify if the Housing Successor responsible for completing the review.

In recognition of the short timeframe and likely inability for some successor agencies to meet the deadline, DOF requested that successor agencies that cannot meet the deadline, notify the DOF of the projected date on which the LMIHF will be completed. The City's Finance Department is developing a completion date and has notified the DOF that additional time will be needed to complete the due diligence.

Non-housing funds

The Successor Agency is required to conduct due diligence review of Non-Housing funds and submit it to the Oversight Board, Auditor Controller, State Controller and DOF by December 15, 2012 and it must be approved by the Oversight Board no later than January 15, 2013. The DOF will have until April 1, 2013, to review the Non-Housing Fund due diligence review and provide its determination to the Successor Agency. Within five days after the DOF's determination, the Successor Agency must transmit any unobligated Non-Housing Funds due to the Auditor-Controller. If the Successor Agency does not agree with the DOF's determination it can submit a request to meet and confer. The meet and confer process would not take longer than thirty (30) days. During this period the requirement to transmit unobligated Non-Housing Funds would be suspended until the process is complete.

Successor Agency staff will continue to work with the Finance Department to ensure that reports are completed in accordance with AB 1484.

FISCAL IMPACT

The cost to conduct the due diligence review is for an amount not to exceed \$25,000 which is an eligible expense from the Successor Agency's administrative allowance.

RECOMMENDATION

To receive and file staff's report.

ATTACHMENT

Vasquez & Company LLP – Proposal and Engagement Letter